People and businesses struggle; top executives prosper

Late in the afternoon of Aug. 13, 2005, severe thunderstorms with high velocity downbursts roared into the St. Louis area and ripped through the trees of the region's urban forest. The combination of wind and wood battered AmerenUE's electricity distribution system and left about 540,000 people and an estimated 14,000 business without electricity, some for as long as four days.

Four months and one day later, the upper reservoir of AmerenUE's Taum Sauk Hydroelectric Plant on Proffit Mountain in Reynolds County suffered a catastrophic failure. The water unleashed — more than a billion gallons — denuded the mountainside, wrecked Johnson's Shut-Ins State Park and poured sediment and muck into the gloriously crystalline east fork of the Black River.

Coping with the storm's aftermath made 2005 challenging and expensive for the people and businesses of St. Louis. Coping with the storm's aftermath and the loss of a major capital asset also made 2005 challenging for AmerenUE; two federal reports pinned the blame for the Taum Sauk disaster on monitoring equipment the company knew was faulty.

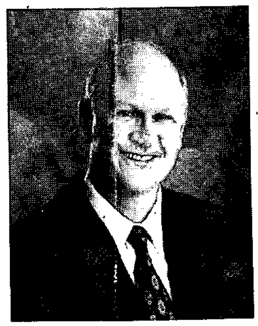
But 2005 was a pretty good year for the senior management of Ameren Corporation, according to the proxy statement it filed with the U.S. Securities and Exchange Commission:

Chairman and chief executive officer Gary L. Rainwater received a performance bonus of $986,000 and stock awards worth $680,000, in addition to his $800,000 salary. Warner L. Baxter, the company's executive vice president and chief financial officer, earned a performance bonus of $507,000 and stock awards worth $552,000, on top of his salary of $650,000. For chief operating officer and executive vice president Thomas R. Voss, 2005 brought a bonus of $348,000, stock awards valued at $300,000 and a $400,000 salary.

Compensation for senior executives is based on recommendations of the human resources committee of Ameren's board of directors, subject to the approval of the full board. Bonuses generally are linked to the earnings per share of company stock during a given time period.

Members of the board get an annual cash retainer of $20,000, $1,000 per board meeting, $1,000 per board committee meeting and 1,000 shares of Ameren stock each year. Members who chair and serve on certain committees get extra payments of $15,000, $10,000 or $5,000 per year.

The chairman of Ameren's human resources committee is Richard A. Liddy. In 2005, Liddy received about $84,000, plus 1,000 shares of stock, for his various services to the Ameren board. (Liddy was president of GenAmerica Financial Corporation in 1999 when a financial crisis forced the company to seek the administrative supervision of the Missouri Department of Insurance. The following year, GenAmerica sold off its assets to MetLife.)



Gary L. Rainwater, chairman and chief executive of Ameren Corp.

Perhaps the competition to attract and retain top executives of major utility companies requires compensation at these levels. But when power outages force ordinary people to flee their overheated or frigid homes and seek shelter elsewhere, throw out spoiled food, pay for unbudgeted housing and food costs or shell out for finicky generators as an alternative — to say nothing of those confronting serious health emergencies — a million-dollar bonus here, a thousand-dollar meeting fee there and 1,000 shares of Ameren stock look like an awful lot of money.

Coping with Ameren's power outage of 2005, of course, was neither the first nor the last such challenge for St. Louis area residents. Damage to Ameren facilities from thunderstorms on July 5, 2004, left some 560,000 people and about 15,000 businesses without power. Storms on July 19 and 21 of this year hammered Ameren's system, leaving an estimated 1.6 million people and about 42,000 businesses in the metro area without power at the peak of the outages. The ice storm that downed lines and poles two weeks ago affected around 900,000 people and about 24,000 area businesses — applying U.S. Census population and housing data to Ameren's figures for "customers."

As complicated as the overall power system is, Steven Dottheim, deputy general counsel of the Missouri Public Service Commission, said there is a simple non-technical way to look at it. "There is a distribution system that consists of poles, cross arms, lines and service drops," he told me last week by telephone from Jefferson City. "It keeps breaking because things keep hitting it, most often trees."

After an ice storm hit Missouri early in 2002, the PSC staff concluded the obvious: The more often trees in an area are trimmed, the less often the area suffers power outages.

No surprise that after an informal investigation of the '04 outages, the PSC found exactly that pattern in some of the areas that lost power. It also discovered that Ameren had been skimping on tree trimming, budgeting less and less for vegetation managment each year since 2000. The effect of spending less and less? Ameren had fallen further and further behind. According to the PSC report, Ameren conceded that the average time between tree trims in suburban areas had grown to more than five years.

In a letter dated Nov. 2, 2004, Ameren vice president Ronald C. Zdellar pledged that the company would work through the tree-trimming backlog that its own policies had created. The catch was that catching up would take *four years.* And even then, urban and suburban areas would get trimmed only once every four years.

Given that Missouri — unlike, say, Oklahoma — has no authority to require anything specific of Ameren with respect to tree-trimming, the PSC and its staff could do little but say thanks and spend the next two years confirming that Ameren kept to the ridiculously extended schedule the company set for itself.

But after its investigation of Ameren's monumental outages of last July, the PSC staff report went a little further: "Currently urban areas are targeted for a four-year cycle; it may be appropriate to go to a three-year cycle in some areas," it recommended.

Let's clarify something: *Ameren already has the right* to send its crews and trucks onto private property "to trim trees and maintain the right-of-way [for its lines] in a condition which will not interefere with the delivery of electric service," according to company rules and regulations on file with the PSC for more than five years. Ameren has not lacked the authority to protect its lines as well as possible; it has lacked the will to do so.

The people, elected officials and particularly the members of the business community of St. Louis are concerned, rightly, about the importance of attracting new industries and new jobs to the region. Properly stewarded, a vibrant economy can make life better for all area residents.

Last year, the economic development people at the Regional Chamber and Growth Association announced a new branding campaign and a new slogan: "Perfectly centered, remarkably connected." The aim is to emphasize to business decision makers the economic, cultural and community advantages of life in our region. In the wake of Ameren's power failures of 2004, 2005 and two so far in 2006, maybe the slogan should read, "Perfectly centered, remarkably connected and — really, pretty much of the time — available electric service."

Perhaps that's something that will be taken up next month by the incoming chairman of the RCGA board: Ameren CEO Gary Rainwater.

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Mexico Public Hearing

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